



FLORENCE P. BELSER
GENERAL COUNSEL

September 14, 2006

The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Dr., Suite 100
Columbia, SC 29210

RE: Application of Carolina Water Service Inc. ("CWS") for adjustment of rates and charges for the provision of water and sewer service
Docket No. 2006-92-W/S

Dear Mr. Terreni:

The purpose of this letter is to declare the intent of the South Carolina Office of Regulatory Staff ("ORS") as requested by the Commission's Directive issued on September 8, 2006 ("Directive").

The Directive rejects the August 30, 2006, Settlement Agreement ("Settlement Agreement") between ORS and CWS on the grounds that "the Commission has not been presented with sufficient information to satisfy itself that the proposed rates and terms of this settlement are just and reasonable." The Directive provides ORS and CWS with two options which are as follows: (1) withdraw the settlement agreement and stipulated testimony and proceed to a final hearing in this matter or (2) propose the settlement in lieu of the Company's original application. ORS respectfully declines to accept either option provided by the Directive. ORS submits that the Settlement Agreement is just and reasonable and the parties have presented to the Commission sufficient evidence to support that conclusion.

Because the Directive is not an order, ORS reserves its right to set forth its objections to the Directive in its petition for reconsideration within the time period allowed after receipt of the Commission's final order.

Very truly yours,

/s/ Nanette S. Edwards

Nanette S. Edwards
Deputy General Counsel

cc: Parties of Record
C. Lessie Hammonds, Esq.
Shannon Bowyer Hudson, Esq.